



# *Informational Guideline Release*

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Bureau of Accounts  
Informational Guideline Release (IGR) No. 04-101  
October 2004

**(Supersedes IGR 03-102)**

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Chapter 149 §§95-101, 215 and 254 of the Acts of 2004  
(Amending G.L. Ch. 44 §§1, 8(8), 8(8A), 8(15) and 10, G.L. Ch. 44A and Ch. 74 of the Acts of 1945)**

This Informational Guideline Release informs local officials about recent legislation making technical amendments that clarify state oversight of several municipal borrowing statutes that were modified by the 2003 Municipal Relief Act.

### Topical Index Key:

Borrowing

### Distribution:

Accountants/ Auditors  
Municipal/Regional School Treasurers  
Mayors/ Selectmen  
City/Town Managers, Exec. Secys.  
Finance Directors  
City Solicitors/Town Counsels

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**SUMMARY:**

These guidelines explain recent technical amendments to several municipal borrowing statutes that were modified by the 2003 Municipal Relief Act. Ch. 46 of the Acts of 2003. The act eliminated the Emergency Finance Board (EFB), which provided state oversight of certain city, town or district borrowings, appropriations and other actions. It created another board, consisting of the attorney general, state treasurer, state auditor and director of accounts, or their designees, for oversight in some cases. These amendments name that board the Municipal Finance Oversight Board (MFOB) and substitute the name of the board for the named officials in the relevant statutes.

In addition, the amendments reintroduce oversight over certain borrowings that formerly required EFB approval. Specifically, approval of the MFOB is required for (1) debt issued for projects qualifying for federal grants under Chapter 74 of the Acts of 1945 and (2) sewer construction debt issued under G.L. Ch. 44 §8(15), unless the community has a sewer enterprise or special revenue fund and the accounting officer certifies that sewer rates are sufficient to cover operating expenses and debt service.

Finally, the MFOB must approve any municipal debt authorized before the July 31, 2003 effective date of the Municipal Relief Act that exceeded the debt limit under G.L. Ch. 44 §10 at that time and was not approved by EFB, before it can be issued.

These guidelines update those issued last year when EFB was abolished to reflect these technical amendments. See Bureau of Accounts Informational Guideline Release No. 03-102, *Abolition of Emergency Finance Board and Impact on Municipal Borrowings and Appropriations* (August 2003). They summarize the types of actions that previously required EFB approval that now require (1) no approval beyond the local votes the action requires, (2) approval of certain municipal officials, or (3) approval of the MFOB.

## **GUIDELINES:**

### **A. Actions Requiring No Other Approval**

No additional approvals are required for the following actions.

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|---|-------------------------|
| 1. Contract for trash disposal, sewer treatment or disposal with certain terms regarding future year appropriations | G.L. Ch. 30B §12        |
| 2. Incur debt by a regional refuse disposal district  | G.L. Ch. 40 §44F        |
| 3. Issue bonds by a water and sewer commission  | G.L. Ch. 40N §18        |
| 4. Incur debt by a regional police district   | G.L. Ch. 41 §99E        |
| 5. Incur debt to remodel or repair public building  | G.L. Ch. 44 §7(3A)      |
| 6. Incur debt for regional incinerators   | G.L. Ch. 44 §8(18)      |
| 7. Lend to industrial development authorities   | G.L. Ch. 44 §8(19)      |
| 8. Finance through Farmers Home Administration  | G.L. Ch. 44 §8(20)      |
| 9. Incur debt to construct schools by regional school district  | G.L. Ch. 71 §16(d), (n) |
| 10. Refinance debt by regional school district  | G.L. Ch. 71 §16(o)      |

### **B. Actions Requiring Approval of Municipal Officials**

Municipal officials must approve the following actions.

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|--|-------------------|
| 1. <u>Incur debt for departmental equipment for over 5 years</u><br>Selectmen, mayor or city manager must approve a longer term. Approval must be based on a determination of the maximum useful life of the equipment. Term cannot exceed 15 years. | G.L. Ch. 44 §7(9) |
| 2. <u>Incur debt for construction of schools greater than School Building Assistance grant</u><br>Selectmen, mayor or city manager must approve borrowing for a higher amount.   | G.L. Ch. 70B §6   |

### **C. Actions Requiring Approval of State Officials**

State officials must approve the following actions.

**1. Director of Accounts**

The Director of Accounts must approve the following actions.

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|----|--|-------------------|
| 1. | Appropriate amount greater than 10% of prior year's tax levy to city, town or district stabilization fund    | G.L. Ch. 40 §5B   |
| 2. | Appropriate amount greater than 5% of prior year's assessment to regional school district stabilization fund | G.L. Ch. 71 §16G½ |

**2. Municipal Finance Oversight Board (MFOB)**

The MFOB must approve the following actions.

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|----|--|----------------------------|
| 1. | Incur debt to establish or enlarge a gas or electric plant   | G.L. Ch. 44 §8(8)          |
| 2. | Incur debt to remodel or repair a gas or electric plant or telecommunications system   | G.L. Ch. 44 §8(8A)         |
| 3. | Incur debt for sewer system construction or payment to tie into neighboring municipality's system, unless city or town has a sewer enterprise or special revenue fund and accounting officer certifies to treasurer that sewer rates are set at a level sufficient to cover operating expenses and debt service. | G.L. Ch. 44 §8(15)         |
| 4. | Exceed statutory debt limit (including debt above limit authorized before July 31, 2003 and not approved by EFB before its abolition).   | G.L. Ch. 44 §10            |
| 5. | Designate Qualified Bonds  | G.L. Ch. 44A               |
| 6. | Incur debt for projects receiving federal grants   | Ch. 74 of the Acts of 1945 |

Cities, towns and regional school districts with actions requiring approval of the MFOB should contact Mary Ann Growitz at 617-727-6200.

**3. Department of Environmental Protection**

The Department of Environmental Protection must approve the following actions.

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|----|--|--------------------|
| 1. | Incur debt to reconstruct or repair reservoirs   | G.L. Ch. 44 §8(4A) |
| 2. | Incur debt to reconstruct or repair solid waste disposal facilities other than landfills | G.L. Ch. 44 §8(23) |